

SN CRAC Workshop
Thursday, September 18, 2003

Implementing the GRSPs With an IOU Public Litigation Settlement

This paper describes how the Administrator can ensure that customers receive the benefit of the Public/IOU settlement in FY 2004, even if the final agreement on settlement is reached after September 15, 2003. In summary, on October 1, 2003, BPA will begin charging customers subject to the FB and SN CRACs the Without Settlement FB and SN CRAC rates as presented at the August 28, 2003, rate case workshop. Once the Administrator receives sufficient assurance that there is a final IOU Public Litigation settlement, the Administrator will rebate to customers the difference between the Without Settlement rates and the With Settlement rates, *i.e.*, the Rebate Amount, as described in this paper and workshop.

Overview of IOU Public Litigation Settlement Process

IOU Public Litigation settlement negotiations are ongoing. The Administrator is confident enough that there will be a settlement to describe how he will implement the GRSPs once he has sufficient assurance that there is, in fact, a settlement. The Administrator will not reduce the SN CRAC until he has sufficient assurance of a settlement. Sufficient Assurance will occur once the settlement is final and the cost reductions associated with the settlement are contractually committed (necessary parties have signed and the IOU's make final decisions after the time for challenges has passed). We anticipate this will occur on or before February 1, 2004, in which event credits will be provided for as described in this paper and workshop. If a final settlement and IOU commitment are not secured until after then, the Administrator retains the discretion to provide credits in 2004 rather than wait until 2005.

Implementation of the 2003 SN CRAC GRSPs

The 2003 SN CRAC provides for a recalculation of the SN CRAC parameters and thresholds contingent on changes in data inputs. One of the contingencies is the negotiated reduction in the magnitude of benefit payments by BPA to the IOUs under the 5(c) Settlement Agreements. The GRSPs contemplate a negotiated reduction and provide further that "if the Administrator, in his sole determination, receives sufficient assurance, such as the signing by the IOUs of settlement contracts, that the benefits payable to the IOUs during FY 2004 through FY 2006 will be either reduced or deferred," then the SN CRAC parameters and thresholds will be recalculated, thereby reducing the level of the SN CRAC. SN-03-A-02, Appendix A, Page A-17.

The Administrator has determined that he will have Sufficient Assurance of a negotiated reduction in benefits under the IOU agreements if there is a binding agreement by the IOUs to defer \$75 million in FY 2004, FY 2005, and FY 2006 plus all but Portland General Electric's share of the \$55 million FY 2003 deferral amounts, 120 days after the Effective Date of the settlement contracts deferring the benefits.

The GRSPs state, "The method by which such benefit reductions will be incorporated depends on the timing of the agreement." *Id.* The GRSPs acknowledge a settlement deferring or

reducing IOU benefits could be achieved in time to implement a SN and/or FB CRAC rate reduction before the rate period begins on October 1, 2003. While the GRSPs contemplated “the agreement” as a signed, final agreement; they do not directly address the situation of an agreement in principle. While BPA does not now have a signed, final settlement agreement, it would appear that the parties are very close to a signed, final agreement. Given this situation, and BPA’s intent to promote settlement sooner rather than later and to provide customers the benefit of a “final” settlement if it is reached early on in FY 2004, it is reasonable to provide for a rebate process in FY 2004 as described in this document.

How BPA will pass on the cost savings of an IOU Public Litigation Settlement

For Public Customers (non-Slice Products), DSIs, IOU power sales, and IOU Monetary Benefits

Beginning October 1, 2003, BPA will charge the base rate plus the appropriate Cost Recovery Adjustment Clauses (LB, FB, or SN CRACs) at the levels described at the June 10, 2003, workshop for LB CRAC and the August 28th workshop for SN and FB CRACs. These rates are shown in Attachment 1.

With Settlement Rates: With settlement the SN CRAC will go to zero percent. The FB CRAC may be different once the exact settlement amounts are known. Currently, BPA expects the FB CRAC to change by less than one-half of a percent, if at all, from the level presented in the August 28th workshop. The following is a short discussion of how the calculation will be done consistent with the GRSPs. BPA is willing to host another workshop as soon as practicable to explain the actual calculation, probably sometime in January or early February.

Calculation of New FB and SN CRACs if the Administrator receives Sufficient Assurance of a Public IOU Settlement

1. Calculate new parameters for the FB and SN CRACs. The “contingent recalculation” described in the August 14 and August 28 workshops for the Without Settlement case will be performed for the With Settlement numbers. Data from the Final Rate Case Studies will be used except for defined updates (chiefly 2003 hydro and price data, and settlement details). The results will be revised caps for the SN CRAC and revised thresholds for both the FB and SN CRACs.
2. Preliminary calculation of FB and SN rates for FY 2004. The revised caps and thresholds for FY 2004 and the FY 2003 Third Quarter Review projections of PBL ending Accumulated Net Revenues (ANR) will be used to calculate the FB CRAC percentages and preliminary percentages for SN CRAC for FY 2004.
3. Administrator exercises GRSP discretion. The Administrator then will exercise the discretion given him in the GRSPs to reduce the FY 2004 SN CRAC to zero percent.
4. Recalibrate FY 2005 and FY 2006 CRACs to maintain three-year 80 percent TPP. The thresholds for the FY 2005 and FY 2006 FB and SN CRACs will be recalibrated, taking into account the zero percent SN CRAC for FY 2004, to

maintain a three-year 80 percent TPP (FY 2004 through FY 2006). This step will not affect any FY 2004 FB or SN CRAC thresholds or percentages.

For the FB and SN CRACs: The total difference between what a customer is being billed at the Without Settlement FB and SN CRAC rates and what they would have been billed at the With Settlement SN and FB CRACs rates (the “Rebate Amount”) will be calculated for each billing month.

On the first day of the billing month following the date of Sufficient Assurance (assumed to be February 1, 2004) the Rebate Amount will be credited to the customers on a rolling month-by-month basis. For example, in February, the January bill will be calculated using the With Settlement FB and SN CRAC Rates and the October bill will be revised to credit the October Rebate Amount. The next month, March, the process would be repeated, with the February bill being calculated using the With Settlement Rates and the November bill being revised to reflect the Rebate Amount; and so on. Revised bills and Rebate Amounts will only be calculated for whole months. If the date of Sufficient Assurance occurs in February 2004, but after February 1, the Rebate Amount for October will not be credited until the March calculation of the February power bills.

Table 1
Total Adjusted Power Rates
(Base Rates with LB, FB and SN CRAC Applied)
10/1/03 - 3/31/04

Increased Revenue Required (LB CRAC%)	21.94%
Change to Slice Rate ^{1/}	21.55%
Change to non-Slice Rate (LB CRAC %)	21.29%
+ Change to Rate (FB CRAC %)	12.28%
+ Change to Rate (SN CRAC %)	11.47%
= Total Rate Adjustment for non-Slice Sales	45.04%

	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04
Slice (\$/% Slice per month)	\$1,725,317	\$1,725,317	\$1,725,317	\$1,725,317	\$1,725,317	\$1,725,317
5-yr PF-02 and RL-02 rates						
HLH (\$/MWh)	23.60	31.90	32.85	29.18	26.95	24.41
LLH (\$/MWh)	17.05	25.68	25.19	20.51	19.06	16.56
Demand (\$/kW-mo)	2.55	3.34	3.34	3.14	2.94	2.64
Load Variance (\$/MWh)	1.16	1.16	1.16	1.16	1.16	1.16
Stepped PF-02 Rates						
HLH (\$/MWh)	22.73	31.04	31.98	28.32	26.08	23.54
LLH (\$/MWh)	16.19	24.81	24.32	19.63	18.19	15.69
Demand (\$/kW-mo)	2.55	3.34	3.34	3.14	2.94	2.64
Load Variance (\$/MWh)	1.16	1.16	1.16	1.16	1.16	1.16
IP-02 Rates w IPTAC(A)						
HLH (\$/MWh)	29.05	37.35	38.30	34.63	32.38	29.86
LLH (\$/MWh)	22.51	31.14	30.64	25.96	24.52	22.01
Demand (\$/kW-mo)	2.55	3.35	3.34	3.14	2.94	2.64
IP-02 Rates w IPTAC(B)						
HLH (\$/MWh)	31.22	39.54	40.48	36.81	34.56	32.03
LLH (\$/MWh)	24.68	33.32	32.83	28.14	26.69	24.19
Demand (\$/kW-mo)	2.55	3.34	3.34	3.14	2.94	2.64

^{1/} Slice sales are not subject to the FB or SN CRAC.

Notes: The FB and SN CRAC rates are the result of the August 28th Workshop.

The LB, FB and SN CRAC adjustments to rates show up on power bills as separate line items. Tables 2, 3 and 4 show the individual adjustments as they will appear on the bill.

LB CRAC: Load Based Cost Recovery Adjustment Clause

FB CRAC: Financial Based Cost Recovery Adjustment Clause

SN CRAC: Safety-Net Cost Recovery Adjustment Clause

Source: May 2000 Base Rates

Table 2
Base Rates with LB CRAC Applied (CRAC 5 Period)
10/1/03 - 3/31/04

Increased Revenue Required (LB CRAC5 %)	21.94%
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Change to Slice Rate	21.55%
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Change to non-Slice Rate	21.29%
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	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04
Slice (\$/% Slice per month)	\$1,725,317	\$1,725,317	\$1,725,317	\$1,725,317	\$1,725,317	\$1,725,317
5-yr PF-02 and RL-02 rates						
HLH (\$/MWh)	19.73	26.68	27.47	24.40	22.54	20.41
LLH (\$/MWh)	14.26	21.48	21.07	17.15	15.94	13.85
Demand (\$/kW-mo)	2.13	2.80	2.80	2.62	2.46	2.21
Load Variance (\$/MWh)	0.97	0.97	0.97	0.97	0.97	0.97
Stepped PF-02 Rates						
HLH (\$/MWh)	19.01	25.96	26.74	23.68	21.81	19.69
LLH (\$/MWh)	13.54	20.75	20.34	16.42	15.21	13.12
Demand (\$/kW-mo)	2.13	2.80	2.80	2.62	2.46	2.21
Load Variance (\$/MWh)	0.97	0.97	0.97	0.97	0.97	0.97
IP-02 Rates w IPTAC(A)						
HLH (\$/MWh)	24.29	31.24	32.03	28.96	27.08	24.97
LLH (\$/MWh)	18.82	26.04	25.63	21.71	20.50	18.41
Demand (\$/kW-mo)	2.13	2.80	2.80	2.62	2.46	2.21
IP-02 Rates w IPTAC(B)						
HLH (\$/MWh)	26.11	33.06	33.85	30.78	28.90	26.79
LLH (\$/MWh)	20.64	27.87	27.45	23.53	22.32	20.23
Demand (\$/kW-mo)	2.13	2.80	2.80	2.62	2.46	2.21

Note: The LB CRAC rate was presented and finalized at the June 10, 2003 workshop.

Table 3
FB CRAC Increment Only
10/1/03 - 9/30/04

FY 2003 FB CRAC Percent	12.28%
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	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04
5-yr PF and RL-02 rates												
HLH energy (\$/MWh)	2.00	2.70	2.78	2.47	2.28	2.07	1.62	1.61	2.02	2.66	3.93	2.82
LLH energy (\$/MWh)	1.44	2.17	2.13	1.74	1.61	1.40	1.08	0.89	1.08	1.80	2.20	2.31
Demand (\$/kW-mo)	0.22	0.28	0.28	0.27	0.25	0.22	0.18	0.18	0.22	0.28	0.28	0.28
Load Variance (\$/MWh)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Stepped PF-02 rates												
HLH energy (\$/MWh)	1.92	2.63	2.71	2.40	2.21	1.99	1.54	1.54	1.95	2.58	3.86	2.74
LLH energy (\$/MWh)	1.37	2.10	2.06	1.66	1.54	1.33	1.01	0.82	1.01	1.73	2.13	2.23
Demand (\$/kW-mo)	0.22	0.28	0.28	0.27	0.25	0.22	0.18	0.18	0.22	0.28	0.28	0.28
Load Variance (\$/MWh)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
IP-02 Rates w IPTAC(A)												
HLH energy (\$/MWh)	2.46	3.16	3.24	2.93	2.74	2.53	2.08	2.07	2.48	3.12	4.39	3.28
LLH energy (\$/MWh)	1.91	2.64	2.59	2.20	2.08	1.86	1.54	1.35	1.54	2.27	2.66	2.77
Demand (\$/kW-mo)	0.22	0.28	0.28	0.27	0.25	0.22	0.18	0.18	0.22	0.28	0.28	0.28
IP-02 Rates w IPTAC(B)												
HLH energy (\$/MWh)	2.64	3.35	3.43	3.12	2.93	2.71	2.26	2.26	2.66	3.30	4.58	3.46
LLH energy (\$/MWh)	2.09	2.82	2.78	2.38	2.26	2.05	1.73	1.54	1.73	2.45	2.85	2.95
Demand (\$/kW-mo)	0.22	0.28	0.28	0.27	0.25	0.22	0.18	0.18	0.22	0.28	0.28	0.28

Table 4
SN CRAC Rate Increment Only
10/1/03 - 9/30/04

FY 2003 SN CRAC Percent	11.47%
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	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04
5-yr PF and RL-02 rates												
HLH energy (\$/MWh)	1.87	2.52	2.60	2.31	2.13	1.93	1.51	1.51	1.89	2.48	3.67	2.63
LLH energy (\$/MWh)	1.35	2.03	1.99	1.62	1.51	1.31	1.01	0.83	1.01	1.68	2.06	2.16
Demand (\$/kW-mo)	0.20	0.26	0.26	0.25	0.23	0.21	0.17	0.16	0.21	0.26	0.26	0.26
Load Variance (\$/MWh)	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Stepped PF-02 rates												
HLH energy (\$/MWh)	1.80	2.45	2.53	2.24	2.06	1.86	1.44	1.44	1.82	2.41	3.60	2.56
LLH energy (\$/MWh)	1.28	1.96	1.92	1.55	1.44	1.24	0.94	0.76	0.94	1.62	1.99	2.09
Demand (\$/kW-mo)	0.20	0.26	0.26	0.25	0.23	0.21	0.17	0.16	0.21	0.26	0.26	0.26
Load Variance (\$/MWh)	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
IP-02 Rates w IPTAC(A)												
HLH energy (\$/MWh)	2.30	2.95	3.03	2.74	2.56	2.36	1.94	1.94	2.32	2.91	4.10	3.06
LLH energy (\$/MWh)	1.78	2.46	2.42	2.05	1.94	1.74	1.44	1.26	1.44	2.12	2.49	2.59
Demand (\$/kW-mo)	0.20	0.26	0.26	0.25	0.23	0.21	0.17	0.16	0.21	0.26	0.26	0.26
IP-02 Rates w IPTAC(B)												
HLH energy (\$/MWh)	2.47	3.13	3.20	2.91	2.73	2.53	2.12	2.11	2.49	3.08	4.28	3.23
LLH energy (\$/MWh)	1.95	2.63	2.60	2.23	2.11	1.91	1.61	1.43	1.61	2.29	2.66	2.76
Demand (\$/kW-mo)	0.20	0.26	0.26	0.25	0.23	0.21	0.17	0.16	0.21	0.26	0.26	0.26